



DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND
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IN REPLY REFER TO

J&A Number: 53,164.8

Code: SEA 02531

P.R. Number: N00024-12-NR-43028

JUSTIFICATION AND APPROVAL FOR USE OF OTHER THAN FULL AND OPEN COMPETITION

JUSTIFICATION

1. Contracting Activity

The Naval Sea Systems Command (NAVSEA) Surface Systems Contracts Division (SEA 025).

2. Description of the Action Being Approved

Award of a sole source contract to BAE Land and Armaments, L.P., (BAE) Minneapolis, MN for the upgrade of MK 41 Vertical Launching System (VLS) MK 14 MOD 1 to MK 14 Mod 2 Tomahawk canisters and associated hardware.

3. Description of Supplies/Services

The MK 41 VLS is the primary missile launching system aboard U.S. Navy combatants used to store, safe, inventory, and launch missiles of various types. MK 41 VLS canisters (e.g. MK 13, MK 14, MK 21, MK 25, MK 29), house the missiles within the launcher which are required for the launcher operation. The MK 41 VLS (which includes associated missile canisters) is one of the major shipboard weapon systems utilized both as an offensive and defensive asset.

NAVSEA has a requirement to procure upgraded MK 14 MOD 1 to MK 14 Mod 2 canisters, ancillary hardware, and associated support equipment in support of FY12 US Navy requirements. This requirement is for an estimated total of 150 canisters based on the most current requirements. The FY12 upgrade requirements will be added to previously awarded canister production contract N00024-10-C-5349 which contains all FY10 - FY12 MK 41 VLS canister requirements. The estimated period of performance is from contract award to 24 months after option exercise.

The Government's minimum needs have been verified by the certifying technical and requirements personnel.

The estimated quantities, costs, and funding source (by type) are shown in the following table:

FY	TYPE	APPN	*QTY	EST. COST
FY12	MK 14 Mod 2	NAVAIR WPN	150	\$6.75M

These requirements are in addition to the requirements listed in J&A 53,164.

4. Statutory Authority Permitting Other Than Full and Open Competition

10 U.S.C. 2304(c)(1). Only one responsible source and no other supplies or services will satisfy agency requirements.

5. Rationale Justifying Use of Cited Statutory Authority

Martin Marietta Aero & Naval Systems, now Lockheed Martin Maritime Systems and Sensors (LM MS2), Baltimore, Maryland was the developer and original producer of the MK 41 VLS and associated canisters beginning in 1977, and as such, possessed unique insight and capability resulting from over thirty-two years of experience with this system. However, LM MS2 does not currently operate an active production line and in 1991 requested removal of Government Furnished Equipment, which was used in their previous canister production efforts.

BAE (formerly UDLF), Minneapolis, Minnesota was selected as the second source for the MK 41 VLS and canisters in 1983 and subsequently qualified as a producer in 1985. TAAS-IIL, (formerly Israel Military Industries (IMI)), Ramat-Hasharon, Israel won a competitive award in 1987 for canisters and was qualified following their first deliveries. After the award in 1995 of the FY94-96 requirements to BAE, IMI shut down their production line and no longer possesses the capability to manufacture canisters without a substantial start-up investment.

Use of the authority cited in Paragraph 4 is justified because in accordance with the Federal Acquisition Regulation FAR 6.302-1(a)(2)(ii), this proposed effort is a follow-on to a sole-source contract and BAE is the only source uniquely capable of manufacturing MK 41 VLS canisters without substantial duplication of cost to the Government and unacceptable delays in fulfilling

the Navy's requirements.

Because this proposed effort flows directly from work performed under canister production contracts N00024-09-C-5307, N00024-09-C-5317, and N00024-10-C-5349 it is essential that the contractor performing this work has extensive familiarity with the ongoing efforts under the MK 41 VLS program. BAE alone has the technical expertise of the mechanical design, development, and production of the canisters and associated hardware necessary to satisfy the Navy's requirement described in paragraph 3.

PEO IWS 3L estimates a schedule delay of up to [REDACTED] to qualify the new source based on previous experience establishing BAE as a canister producer. This includes the time it would take a new source to develop the necessary expertise and establish a facility with the equipment, tools, and production validation processes necessary to produce and/or upgrade the canisters. This estimate also includes the time necessary to produce initial units required for first article testing. Once completed, these units would be subjected to first article tests, Physical Configuration Audits (PCAs), missile tests, and transportation shock testing. Further, it would take approximately [REDACTED] to conduct a competition to award this effort. Awarding this MK 41 VLS Canister production effort to another source would cause insurmountable delays in supporting FY12 Tomahawk missile encanisterization requirements. Delays incurred from establishing a new source would negatively impact missile delivery to the fleet, U.S. Navy Battle Group operations, and the program's current and future deployment schedule requirements. The delays would result in the Navy missing FY12 canister deliveries required to support Fleet missile deliveries.

PEO IWS 3L estimates that it would cost approximately [REDACTED] in non-recurring, duplicative costs to establish and qualify another canister production source based on latest cost estimates and procurement actuals. The canisters are ordnance safety critical items and are procured to performance specifications. Canisters upgraded from a new source would be subjected to First Article Tests, PCAs, and, at a minimum, missile launch tests and transportation shock tests to qualify a new manufacturer capable of building the canisters. Other non-recurring costs include the procurement of automatic test equipment and canister fit check tools that are required for factory acceptance testing and Technical Direction Agent support to monitor and oversee the establishment of the production line and provide canister specification/technical data package subject matter expertise. Lastly, a new manufacturer would have to procure one or more custom design milling machines to fabricate the 18 foot long

canister shells.

PEO IWS 3L also estimates an additional duplicative cost associated with obtaining, developing, and establishing subject matter expertise, processes, a comprehensive understanding of the existing production line, and the cost of training new personnel. Based on analyses of other contracts, another source would increase the contract cost to the Government by approximately [REDACTED] (non-recurring) to recover the expenses related to these efforts.

In addition to the non-recurring efforts described above, PEO IWS 3L estimates a [REDACTED] recurring cost increase incurred from manufacturing learning loss. BAE has manufactured thousands of MK 41 VLS canisters, upgraded hundreds of canisters, and the production facility has achieved an efficient learning curve. They will continue to move further down the same learning curve with this procurement. Conversely, a new manufacturer will be starting at unit number one which translates into substantially higher unit costs.

6. Description of Efforts, Made to Solicit Offers from as Many Offerors as Practicable

The proposed contract was synopsized via a posting on the Federal Business Opportunities and Navy Electronic Commerce Online website on 12 April 2012 in accordance with FAR 5.201. The synopsis afforded interested sources an opportunity to submit a statement of capability. To date, no responses have been received. For the reasons discussed in paragraph 5, no further market research was conducted. In the event any responses are received, they will be evaluated prior to award under this J&A.

7. Determination of Fair and Reasonable Costs

The Contracting Officer has determined that the anticipated cost to the Government for the supplies/services covered by the J&A will be fair and reasonable. The NAVSEA contracting office will use cost and price analysis to determine a fair and reasonable price. Assistance from Defense Contract Audit Agency (DCAA) and the Defense Contract Management Agency (DCMA) will be utilized to analyze, evaluate, and negotiate based upon detailed cost and pricing data, which will be certified by BAE Systems at the conclusion of negotiations. BAE has produced MK 14 Mod 2 Canisters and the historical data will allow the Navy to negotiate a fair and reasonable contract value for this procurement.

8. Actions to Remove Barriers to Competition:

NAVSEA is currently pursuing the competitive procurement for the follow-on MK 41 VLS canister production requirements, in FY13 and beyond. It would take a total of three years to compete the contract and establish a new contractor (one year to compete/two years to establish new producer). This sole source contract is intended as a "bridge vehicle" to ensure no negative impacts to FY12 missile deliveries to the fleet. NAVSEA intends to pursue open competition for FY13 and beyond canister procurements and has updated the NAVSEA Acquisition Plan 141-88 to document this revised acquisition strategy.

CERTIFICATIONS AND APPROVAL

TECHNICAL/REQUIREMENTS CERTIFICATION (FAR 6.303-2(b))

I certify that the facts and representations under my cognizance, which are included in this justification and its supporting acquisition planning data, including Acquisition Plan No. NAVSEA 141-88 Rev 16/11, except as noted herein, are complete and accurate to the best of my knowledge and belief.

COMBINED TECHNICAL AND REQUIREMENTS COGNIZANCE:

Signature Name (Print) and Title (Code) Phone No. Date

LEGAL SUFFICIENCY REVIEW (NMCARS 5206.303(90))

I have determined this justification is legally sufficient.

Signature Name (Print) and Title (Code) Phone No. Date

CONTRACTING OFFICER CERTIFICATION (FAR 6.303-2(a)(12))

I certify that this justification is accurate and complete to the best of my knowledge and belief

Signature Name (Print) and Title (Code) Phone No. Date

APPROVAL BLOCK (FAR 6.304 for Approving Official)

Upon the basis of the above justification, I hereby approve, as Designee of the Head of the Contracting Activity, the solicitation of the proposed procurement(s) described herein using other than full and open competition, pursuant to the authority of 10 U.S.C. 2304(c)(1).

Director, Surface Systems Contracts Division

Signature Name (Print) Date